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C O N F I D E N T I A L SECTION 01 OF 03 BERLIN 001066

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SUBJECT: NETANYAHU FEELS SOME HEAT IN BERLIN

Classified By: Political Minister Counselor George Glass for reasons 1.
4 (b,d).

¶1. (C) SUMMARY: In separate meetings with Israeli Prime Minister Netanyahu August 27, Chancellor Merkel and Foreign Minister Steinmeier both stressed the importance of a freeze on settlement construction to achieve a resumption of Israeli-Palestinian peace negotiations. This, despite attempts beforehand by the Israeli government to convince the Germans not to press the issue. Merkel and Steinmeier both incorporated U.S. messages in their discussion with the Israeli leader. Netanyahu's visit August 26-27 was his first official visit to Germany since his taking office. The two leaders met for 2 and 1/2 hours in the Chancellery during which time they focused on three themes: the Middle East Peace Process, Iran, and bilateral issues. The meeting with the Chancellor was followed by a press conference. Both leaders agreed that it was time to restart the peace process, while Merkel took a strong stand that current Israeli settlement projects in the Palestinian territories must be put on hold as a precondition for successful negotiations. Merkel and Netanyahu also discussed the need to take a stronger position on Iran, including tougher sanctions, should Teheran fail to meet the September deadline for returning to the negotiating table. In order to intensify German-Israeli bilateral relations, it was decided to continue annual intergovernmental consultations. In the official meetings, the atmosphere was friendly. END SUMMARY.

Middle East Peace Process

¶2. (C) Prime Minister Netanyahu was greeted August 26 in Berlin by German President Koehler, and had separate official meetings August 27 with Foreign Minister Steinmeier and Chancellor Merkel -- in that order. Netanyahu and Merkel also met at the Wannsee Conference site, which held historical interest for the Israeli Prime Minister. According to MFA NEA division deputy Sibylle Sorg, the atmosphere around Steinmeier's talks with Netanyahu were very friendly. Sorg said that Steinmeier incorporated Washington messages in his discussion and noted that prior to the visit, the Israeli government had tried to "pressure" Germany not to push the settlement freeze issue. Sorg referred Poloff to the transcript of the Chancellor's press conference with Netanyahu as providing a comprehensive readout of his meetings with both Steinmeier and the Chancellor (see paras 7-8 for some highlights).

¶3. (SBU) Chancellery Advisor Ludger Siemes provided a readout of the Chancellor's meeting to the diplomatic community August 31. According to Siemes, during their meeting, Merkel stressed to Netanyahu that there is now a "window of opportunity" to move forward with the peace process. She warned that this window might close soon. She stressed that the construction of new Israeli settlements in the Palestinian territories must be stopped in order to allow negotiations to succeed. She also said that the Palestinian

side must contribute to advancing the process. Merkel added that she strongly supports Special Envoy George Mitchell's initiatives. Siemes noted that Merkel and Netanyahu discussed the recent talks in London, but declined to provide any further details. Merkel touched upon the status of Jerusalem, saying that it was as important as the settlement question. She said, however, that this issue would be left to the Mitchell talks.

14. (SBU) Netanyahu emphasized that he sought to end the conflict and that he was ready to meet with the Palestinian Authority any time. He emphasized that the Palestinians must "accept the reality of a Jewish State" but that this was "not a precondition for talks." Netanyahu stressed that Israel had recently made moves toward restarting negotiations, but that the Palestinians needed to respond.

15. (SBU) Merkel also addressed the situation in Gaza and stressed the need to resolve the current problems. Netanyahu replied that Israel will continue to react to any attacks from Gaza. He added that the situation in Gaza is not that critical and that a sufficient number of trucks cross the border to supply the population.

16. (SBU) Merkel highlighted that she saw positive developments regarding Palestinian governance in the last months. Netanyahu recognized the need for economic development in the Palestinian territories. He said that most road blocks within the West Bank are gone and that he wants economic zones to succeed to give the Palestinian population -- especially the youth -- a sense of hope for the future as an alternative to terrorism. He added that

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economic growth would also strengthen the Palestinian Authority, pointing out that the Palestinian economy had recently picked up and might show 10% growth this year.

Press Conference: Merkel Stresses Time is Right

17. (U) Merkel and Netanyahu gave a joint press availability after their meeting. In her prepared remarks, Merkel stressed the close ties between the two countries and Germany's special relationship with Israel. She also emphasized her "deep confidence" that the opportunity for such a process now is very good. She stressed her view that Israel's freezing settlement construction is an essential point to advance negotiations. Merkel said that Germany would "do everything it can as friend and partner to Israel to see that the negotiations are successful." In this context, Merkel noted that, "Sometimes critical support is also a help. We want to finally see an Israel where the people can live in peace and security." Merkel noted that success of the peace process is "in the world's interest, in Germany's interest, and in the interest of Israel and the Palestinians. Within this process, in my view, the cessation of settlement construction plays a decisive role and we need progress in this area. I therefore welcome the talks that S/E Mitchell held (in London)... " In response to a question on settlement construction, Merkel said that the question as what a cessation of settlement construction means is very complicated and that this is currently being taken up by S/E Mitchell within the framework of the U.S.-Israeli dialogue. She added that in her view a substantial change is necessary. She stressed that she conveyed to Netanyahu during their meeting how critical it is that this current window of opportunity be used.

18. (U) Netanyahu began his remarks underlining that Merkel "is a true friend of Israel" and stressed the strong ties between the two countries. In response to a question from the press as to whether Netanyahu agrees with what the Americans are saying regarding a settlement freeze, Netanyahu said that, "The rumors that we have heard about some decisions being made have no basis. There are efforts

underway to reduce any discrepancies. We want to bring the Middle East Peace Process forward since we want to live normal lives. But decisions that were supposedly made were not." He said that he hoped that the negotiations could be resumed within a space of one or two months.

Iran

¶9. (SBU) Merkel asserted that progress in the Middle East peace process will also help to address the problems with Iran. Netanyahu accepted this, but said it would "not resolve" the issue. Merkel said that developments in September will be decisive. The issue will be discussed on the margins of the G-20 summit on September 24-25 in Pittsburgh. If Iran does not respond to President Obama's offer to re-enter into direct talks on its nuclear program, the international community should be prepared to take further action, which could include additional sanctions in the energy or finance sector. Merkel emphasized that she wants to keep China and Russia on board if possible. Merkel noted that she will not be able to attend the UNGA meeting due to the upcoming German federal elections (September 27). Therefore, there is a preference to discuss the Iran issue on the margins of the G-20.

¶10. (SBU) Netanyahu thanked Merkel for Germany's engagement on Iran. He emphasized the need for "crippling sanctions," noting the danger a nuclear Iran would pose to not only the region but also to the world. He said that the Western powers had not done enough and called for the International Atomic Energy Agency to put all facts on the table. Netanyahu said once the international community puts more pressure on Iran, the weakness of the Iranian regime would be revealed. He added that the best option was to implement sanctions through the UNSC, but that a "coalition of the willing" was also an option. Netanyahu assessed that given what has happened in the aftermath of Iran's elections, the Iranian population would not support the government in the face of additional international sanctions.

¶11. (SBU) Merkel told Netanyahu that in her talks with Russian President Medvedev she had urged Russia not to deliver S-300s to Iran. Netanyahu replied that Israeli President Peres had traveled to Moscow on that same matter.

Bilateral Issues

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¶12. (SBU) Both leaders agreed to continue regular German-Israeli intergovernmental consultations, which had first been held in Israel in March 2008 for the 60th anniversary of the founding of Israel. Merkel proposed that the next meeting take place late in 2009 in Berlin. The exact date will be set by the new German government after the parliamentary elections on September 27. The bilateral consultations will focus on enhancing cooperation in the fields of science and technology, youth exchange, the environment, and bilateral foreign aid projects in third countries. A second project of bilateral cooperation that was discussed is the "German-Israeli Forum for the Future," a foundation that seeks to foster networks between civil societies with a particular focus on the young generation. The Chancellery did not provide any details on the discussion of bilateral economic issues.

Murphy